

Conditional intention to make a takeover bid for Metgasco

MELBOURNE, AUSTRALIA (15 JULY 2019)

Melbana Energy Limited (ASX: MAY) (**Melbana**) announces its conditional intention to make a takeover offer (**Offer**) for 100% of the ordinary shares in Metgasco Limited (ASX: MEL) (**Metgasco** and **Metgasco Shares**). Melbana's intention to make the Offer is conditional on it obtaining the ASIC modification discussed further below.

The Offer to Metgasco shareholders, if made, will be an all share offer under which Melbana will offer Metgasco shareholders 4 fully paid ordinary shares in the capital of Melbana (**Melbana Shares**) for every 1 ordinary Metgasco Share held.

Implied value of the Offer consideration

The implied value of the Offer consideration is \$0.04 cents per share¹ (**Implied Value**), which represents a premium of:

- 48% to the closing price of Metgasco Shares of \$0.027 on 12 July 2019; and
- 35% to the volume weighted average price (**VWAP**) of Metgasco Shares from the 5 trading days since the date on which Metgasco announced the plugging and abandonment of the South Marsh Island 74 D-14 Well (**SM74 D-14 Abandonment Announcement**).

The Implied Value represents a discount to the 1 and 3 month VWAP of Metgasco Shares prior to the date of this announcement, which includes the period prior to the date of the SM74 D-14 Abandonment Announcement, of 4.1% and 8.5% respectively.

Terms and conditions of the Offer

The Offer will be conditional upon:

- a 50.1% minimum acceptance condition; and
- the receipt of Melbana shareholder approval for the purposes of Listing Rule 10.1 to permit M&A Advisory Pty Ltd (being a Metgasco shareholder associated with Andrew Purcell, a director of Melbana) (**M&A Advisory**) to participate under the Offer (or a waiver of that requirement or confirmation shareholder approval is not required),

¹ Based on the closing prices of Melbana Shares on the ASX on 12 July 2019 of \$0.01.

together with certain other conditions, each of which are detailed in Annexure A.

Melbana will make the necessary ASX waiver application in respect of the condition regarding M&A Advisory's participation under the Offer and, if necessary, convene a meeting of Melbana shareholders reasonably promptly so that, if the Offer is made, the condition will be satisfied prior to the close of the Offer.

Independent board committee

The Melbana board of directors established an independent board committee to consider the terms of the potential Offer and the release of this announcement (**Independent Board Committee**). The Independent Board Committee is comprised of each of the Melbana directors other than Andrew Purcell, who is a Metgasco shareholder and until 16 April 2018 was a non-executive director of Metgasco.

Pre-bid acceptance agreement

Melbana has entered into a pre-bid acceptance agreement with M&A Advisory in respect of 19.59% of the issued capital of Melbana. Under the agreement, M&A Advisory has undertaken to accept the Offer in the absence of a superior proposal and subject to the approval of Melbana shareholders not associated with M&A Advisory or Mr Purcell (or a waiver of that requirement or confirmation that shareholder approval is not required).

ASIC relief

Melbana's intention to make the Offer is conditional on it first obtaining an ASIC modification of section 629 of the *Corporations Act 2001* (Cth) so that it may include the condition regarding M&A Advisory's participation under the Offer (which is set out in paragraph 2 of Annexure A) as a defeating condition under the Offer.

Melbana has submitted an application to ASIC in respect of the requested modification and will keep Metgasco and Melbana shareholders updated as to the status of that application.

Melbana is aware of a number of previous relief instruments being granted by ASIC to bidders in similar circumstances and for similar purposes. However, should the relief not be granted, then the Offer on the potential terms and conditions set out in this announcement will not be made to Metgasco shareholders.

About Melbana Energy Limited

Melbana is an Australian ASX-listed independent oil and gas company that has a focussed portfolio of high impact exploration, appraisal and development stage opportunities in Cuba and the Bonaparte Gulf region in Australia.

Melbana's mission is to create a world class exploration and production company by using the skills of its directors and employees to identify and successfully develop attractive oil and gas exploration and project development opportunities. Melbana has a diverse and high impact exploration asset portfolio as follows.

Australia – WA-488-P (Beehive) - 100% owned subject to a farm-in by Total and Santos

The permit is located in the offshore Bonaparte Basin in northern Western Australia, between the producing Blacktip gas field and the undeveloped Turtle and Barnett oil fields, and contains the Beehive prospect.

French major Total and Australia's Santos have fully funded a 3D seismic survey over the Beehive prospect (completed in August 2018), in return for a further option to fully fund the Beehive-1 exploration well. If Total and/or Santos exercises its option, Melbana would retain a 20% participating interest and be fully carried for the first well drilled in WA-488-P.

Australia – Tassie Shoal Projects

Melbana has Australian Government environmental approvals to construct, install and operate two stand-alone world scale 1.75 Mta methanol plants collectively referred to as the Tassie Shoal Methanol Project and a single 3 Mta LNG plant known as the Tassie Shoal LNG Project on Tassie Shoal, an area of shallow water in the Australian waters of the Timor Sea approximately 275 km north-west of Darwin, Northern Territory. Environmental Approvals are valid until 2052.

Cuba – Block 9 PSC – 100% owned

The Production Sharing Contract for Block 9, onshore Cuba, was executed on 3 September 2015. The Block 9 PSC area is in a proven hydrocarbon system with multiple discoveries within close proximity, including the multi-billion barrel Varadero oil field. It also contains the Motembo field - the first oil field discovered in Cuba. As an early mover into Cuba, Melbana is now one of the few western companies with a footprint in the expanding Cuban hydrocarbon sector. Melbana has progressed the well design and regulatory permitting process for drilling for its two highest priority prospects, Alameda and Zapato.

Cuba – Santa Cruz Incremental Oil Recovery Contract

In March 2018, Melbana secured the exclusive rights to assess the Santa Cruz oil field and negotiate a long-term binding Incremental Oil Recovery Production Sharing Contract from the national oil company of Cuba, CubaPetroleo.

Subsequently Melbana completed its initial assessment of Santa Cruz, yielding a number of promising opportunities to enhance production. In December 2018, Melbana finalised the terms for a binding contract for the Santa Cruz field with CubaPetroleo, which is currently subject to standard Cuban regulatory approvals.

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Further information regarding Melbana and its business is available from its website and ASX announcements, which are accessible via www.melbana.com.au and www.asx.com.au.

Annexure A – Offer Conditions

1. Minimum acceptance

At or before the end of the Offer Period, Melbana has a Relevant Interest in the number of Metgasco Shares that represents at least 50.1% of the aggregate of all Metgasco Shares on issue.

2. M&A Advisory participation

Before the end of the Offer Period, Melbana having received:

- (a) the approval of Melbana Shareholders for the purposes of Listing Rule 10.1 for the acquisition of the Metgasco Shares held by M&A Advisory and the issue of Melbana Shares to M&A Advisory under the Offer (**Listing Rule 10.1 Approval**);
- (b) a waiver from ASX to permit the issue of Melbana Shares to M&A Advisory under the Offer without the Listing Rule 10.1 Approval; or
- (c) a notice or confirmation from ASX that Melbana is not required to obtain the Listing Rule 10.1 Approval.

3. No material adverse change

Between the Announcement Date and the end of the Offer Period, no event or change in circumstances occurs, and no event or change in circumstances that occurred before the Announcement Date but was not apparent from publicly available information before that time becomes publicly known, that individually or when aggregated with all other such events or changes has had, or could reasonably be expected to have any of the following effects:

- (a) a diminution of the consolidated net assets of Metgasco Group by \$1,000,000 or more;
- (b) any material rights under any contract in respect of a Key Metgasco Project being suspended, revoked, invalidated, varied, terminated, released or otherwise coming to an end;
- (c) a material restraint on or hindrance to the development, timely completion, feasibility, operation, or profitability of the Key Metgasco Projects;
- (d) the incurring of any obligations, liabilities, accounting impairment, costs or expenses (whether contingent or otherwise) where the quantum (whether individually or when aggregated) exceeds \$500,000;
- (e) any person announcing, commencing or threatening any proceedings against any member of the Metgasco Group (whether in aggregate or for any single proceeding) which may result in a judgment against the member of Metgasco Group of \$500,000 or more (individually or in aggregate); or
- (f) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of Metgasco Group taken as a whole.

4. No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (a) there is not in effect any preliminary or final decision, order or ruling issued by any Government Agency,
- (b) no application is made to any Government Agency (other than by Melbana or any associate of the Melbana); and
- (c) no action or investigation is announced, commenced or threatened by any Government Agency in connection with the Offer,

which could reasonably be expected to:

- (i) restrain, impede or prohibit or otherwise have a material adverse effect on the making of the acquisition by Melbana of Metgasco Shares or any other transaction contemplated by the Bidder's statement (including implementation of Melbana's intentions expressed in the Bidder's statement); or
- (ii) require Melbana to divest any Metgasco Shares or any member of the Melbana Group or Metgasco Group to divest any material asset,

other than an application to or a determination by ASIC, ASX or the Takeovers Panel in the exercise of the powers and discretions conferred by the Corporations Act.

5. No prescribed occurrences during the Offer Period

Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following events occurs:

- (a) Metgasco converts all or any of its shares into a larger or smaller number of shares;
- (b) Metgasco or a subsidiary of Metgasco resolves to reduce its share capital in any way;
- (c) Metgasco or a subsidiary of Metgasco enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) Metgasco or a subsidiary of Metgasco issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) Metgasco or a subsidiary of Metgasco issues or agrees to issue, convertible notes;
- (f) Metgasco or a subsidiary of Metgasco disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) Metgasco or a subsidiary of Metgasco charges or agrees to grant a security interest (as defined in section 51A of the Corporations Act) in the whole, or a substantial part, of its business or property;
- (h) Metgasco or a subsidiary of Metgasco resolves to be wound up;
- (i) a liquidator or provisional liquidator of Metgasco or a subsidiary of Metgasco is appointed;

- (j) a court makes an order for the winding up of Metgasco or of a subsidiary of Metgasco;
- (k) an administrator of Metgasco or a subsidiary of Metgasco is appointed under section 436A, 436B or 436C of the Corporations Act;
- (l) Metgasco or a subsidiary of Metgasco executes a deed of company arrangement; or
- (m) a receiver, or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of Metgasco or of a subsidiary of Metgasco.

6. No prescribed occurrences prior to the lodgement of the Bidder's Statement

Between the Announcement Date and the day immediately preceding the date of the Bidder's Statement (each inclusive), none of the events listed in paragraphs 1(a) to (m) occurs.

7. No exercise of rights under certain agreements or arrangements

If between the Announcement Date and the end of the Offer Period any person:

- (a) is entitled to exercise, or will as a result of the Offer, the acquisition of Metgasco Shares by Melbana or the removal of Metgasco from the official list of ASX if the Offer is successful become entitled to exercise; or
- (b) purports to exercise, states an intention to exercise (whether or not that intention is stated to be a final decision), or asserts the ability to exercise,

any right under any provision of any agreement or other arrangement to which any member of the Metgasco Group is a party or to which any member of the Metgasco Group or any of its assets or businesses may be subject, which results in, or could result in:

- (i) any moneys borrowed by any member of the Metgasco Group being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date provided for in such agreement or arrangement;
- (ii) any such agreement or arrangement that imposes or may impose obligations or liabilities on any party of more than \$500,000 per annum or more than \$500,000 in total or that is otherwise material to the business of the Metgasco Group being terminated or modified or not renewed or the performance of any obligations under any such agreement or arrangement being accelerated; or
- (iii) any assets of any member of the Metgasco Group, including any interest of any member of the Metgasco Group in any body corporate, trust, joint venture or other entity, being sold, transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions, or any contractual arrangements relating to any such asset or interest, being terminated or modified,

that person gives the relevant member of the Metgasco Group and Melbana in writing a binding, irrevocable and unconditional release or waiver of that right.

8. Conduct of business

Between the Announcement Date and the end of the Offer Period, no member of Metgasco Group:

- (a) announces, declares, determines to pay, makes or pays any dividend or other distribution (whether in cash or in specie);
- (b) incurs capital expenditure exceeding \$500,000 or, except in the ordinary course of trading, transfers or otherwise disposes of or creates any Encumbrance in respect of, assets having a value exceeding \$500,000;
- (c) acquires or disposes of any shares or other securities in any body corporate or any units in any trust, or substantially all of the assets of any business except where the aggregate consideration paid or received by all members of Metgasco Group for all such acquisitions or disposals does not exceed \$500,000 or enters into, or terminates any participation in, any partnership, joint venture or similar commitment;
- (d) borrows an amount which when combined with all other amounts borrowed since the Announcement Date exceeds \$500,000 or enters into any swap, option, futures contract, forward commitment or other derivative transaction;
- (e) enters into, waives any material rights under, varies or terminates any contract, commitment or arrangement which may require annual expenditure by the relevant member of Metgasco Group in excess of \$500,000 or is otherwise of material importance to the business of Metgasco Group;
- (f) any entity within the Metgasco Group enters into, amends, or agrees to enter into or amend any contract, commitment or other arrangement with a related party (as defined in section 228 of the Corporations Act), or an associate of that related party, of Metgasco;
- (g) pays or agrees to pay the costs and expenses of all advisers to Metgasco Group in connection with the Offer where such costs and expenses exceed \$500,000;
- (h) increases the remuneration of, makes any bonus payment, retention payment or termination payment to, or otherwise changes the terms and conditions of employment of:
 - (i) any Metgasco Director; or
 - (ii) any employee of any member of Metgasco Group whose total annual employment cost exceeds \$100,000;
- (i) issues any performance rights convertible into Metgasco Shares;
- (j) changes its constitution or passes any resolution of shareholders or any class of shareholders;
- (k) commences, compromises or settles any litigation or similar proceedings for an amount exceeding \$500,000; or
- (l) agrees, conditionally or otherwise, to do any of the things referred to in paragraphs (a) to (k) above, or announces or represents to any person that any of those things will be done,

unless the doing of that thing was specifically disclosed in any ASX announcement made by Metgasco before the Announcement Date.

9. No inaccurate public information

Melbana does not become aware, during the period between the Announcement Date and the end of the Offer Period (each inclusive), that:

- (a) any announcement made by Metgasco to ASX;
 - (b) any document lodged by or on behalf of Metgasco with ASIC; or
 - (c) any other public statement made by or on behalf of Metgasco,
- is inaccurate or misleading in any material way, including by omission.

Definitions

In this Annexure A, unless the context requires otherwise:

Announcement Date means 15 July 2019;

ASIC means the Australian Securities and Investments Commission;

ASX mean the Australian Securities Exchange or ASX Limited ACN 008 624 691 (or its lawful successor), as the context requires;

Bidder's Statement means the bidder's statement prepared by Melbana in respect of the Offer;

Control has the meaning given in section 50AA of the Corporations Act;

Corporations Act means the *Corporations Act 2001* (Cth);

Encumbrance means any security interest (within the meaning of section 51A of the Corporations Act) and any option, right to acquire, right of pre-emption, assignment by way of security, trust arrangement for the purpose of providing security, retention arrangement or other security interest of any kind, and any agreement to create any of the foregoing;

Government Agency means any government, any department, officer or minister of any government and any governmental, semi-governmental, administrative, fiscal, judicial or quasi judicial agency, authority, board, commission, tribunal or entity,

Key Metgasco Projects means the explorations projects in respect of the South Marsh Island Block 74 and the ATP 2020 and ATP 2021 permits;

Listing Rule means a listing rule of the ASX;

M&A Advisory means M&A Advisory Pty Ltd ACN 605 252 506;

Melbana means Melbana Energy Limited ACN 066 447 952 or its subsidiary;

Metgasco means Metgasco Limited ACN 088 196 383;

Metgasco Group means Metgasco and any entity under the Control of Metgasco;

Metgasco Share means a fully paid ordinary share issued in the capital of Metgasco;

Melbana Shareholder means a holder of one or more Melbana Shares;

Offer means either:

- (a) the offer for Metgasco Shares contained in the Bidder's Statement; or
- (b) the off-market takeover bid constituted by that offer and each other offer by Melbana for Metgasco Shares in the form of that offer, in each case as varied in accordance with the Corporations Act,

as the context requires;

Offer Period means the period during which the Offer is open for acceptance as set out in the Bidder's Statement;

Relevant Interest has the meaning given in the Corporations Act; and

Takeovers Panel means the Takeovers Panel referred to in Division 2, Part 6.10 of the Corporations Act.